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Ex Parte Presentation

April 28, 1997

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N.W., Room 222
Washington, D.C. 20554

RE: CC Docket No. 96-45

Dear Mr. Caton:

On April 28, 1997 Brenda Fox, Vice President - Government Relations of U S WEST and the undersigned met with Tom Boasberg, Legal Advisor to Chairman Reed E. Hundt, to review U S WEST's positions on Universal Service and Access Reform. The attached handout was used during our presentation.

In accordance with Commission Rule 1.1206(a)(2), the original and one copy of this summary of the presentation is being filed with your office. Acknowledgement and date or receipt are requested. A copy of this submission is provided for this purpose. Please contact me if you have questions.

Sincerely,

Glenn Brown

Attachment

cc: Tom Boasberg

UNIVERSAL SERVICE AND ACCESS REFORM
U S WEST Inc.
April 28, 1997

I. UNIVERSAL SERVICE

A. The FCC should select the superior proxy model platform and focus future activities and efforts on refining data and model inputs.

1. The state Joint Board members have recommended the Benchmark Cost Proxy Model (BCPM) be adopted for further use in CC Docket 96-45.

2. The record demonstrates BCPM to be the superior platform:

    a. BCPM has been offered to the FCC unlocked, fully documented, and subject to any modifications the FCC finds in the public interest.

    b. No serious code or logic errors have been identified in BCPM.

    c. Criticisms of "steadily increasing results" from BCPM are misleading (e.g., $7.5B vs. $15B vs. $23B)

3. The Hatfield model contains serious flaws which make it unacceptable for the universal service platform:

    a. Developed to derive low unbundled network element prices.

    b. Does not meet generally accepted standards for network design.

    c. Serious omissions of network elements and costs.

    d. Incomplete or non-existent code documentation, and questionable programming logic.

4. Efforts going forward should focus on building the best base of data for estimating the cost of universal service.

    a. A structured process should be implemented to gather historic trends and forward-looking estimates of the cost of providing key elements of basic telephone service.

    b. Facts and data should rule - rhetoric should be out. A sound record should be built for determination of the cost of providing universal service.

B. Support must be targeted to smaller areas of geography than wire centers:

1. Low-cost Main Streets and high cost remote areas are the norm in rural wire centers.

2. If fund qualification is based upon wire center average costs, then windfalls will be earned on Main Street and support shortfalls will occur in true rural America.

3. If funding qualification is to be at the wire center level, then modifications suggested by Lee Selwyn should be used:

   a. Wire center qualifies or not based on average cost vs. benchmark.

   b. Funding is distributed based on CBG costs for qualifying wire centers.

   c. This plan will keep number of wire centers, and thus the number of CBGs, receiving funding, at a manageable number.

C. An interstate-only fund must be interim in nature.

1. The 1996 Act requires that affordable service be available to all Americans. This requirement is best met through a targeted national high-cost fund which is funded by an assessment on both interstate and intrastate revenues.

2. Given the controversy surrounding a combined fund, an interim interstate-only fund may be necessary so that meaningful access reform can move forward while the details of a national high-cost fund can be worked out.

3. Some interim mechanism will be necessary particularly if residential SLCs are not to be increased and the targeted high-cost fund will not be implemented until 1999.

4. Using present implicit support mechanisms (e.g., CCL, TIC) as a placeholder will allow MOU access rates to be reduced to about a penny.

D. There can be no significant overall reduction in the access charges (MOU plus PSL) paid by IXCs until the national high-cost fund is implemented.

II. ACCESS REFORM

A. The Commission should not increase the Productivity Factor nor adjust the Rate of Return

1. Past measures of productivity will not be reflective of the future environment:

   a. Shift in recovery from minutes-or-use recovery (growth 8-10%) to per-line recovery (growth 3-4%)

   b. Presence of local competitors and availability of unbundled network elements.

2. Rate of Return considerations will likewise be different in the future:

   a. In the Interconnection and Universal Service proceedings the Commission has instructed the use of forward-looking economic lives and capital costs consistent with a new market entrant.

   b. When measured against forward-looking economic lives, rate-of-return drops dramatically.

B. Fixed access costs (e.g., CCL, TIC) must move to a fixed recovery mechanism for local competition to be efficient.

1. Subscriber Line Charge (SLC)

   a. Single line residence and business

      - Not politically viable

   b. Additional residential lines

      - Difficult to define
      - Impossible to police

   c. Multiline business

      - Perpetuates implicit support

2. Presubscribed Line Charge (PSL)

   a. Preserves IXC contribution to universal service pending permanent high-cost fund.

   b. Should be applied uniformly to all lines to keep required per-line amount small.

B. Proposals on the table:

1. BellSouth/Pac Bell/SBC/U S WEST Plan

   a. Establishes an interim interstate-only fund sized based on existing implicit support mechanisms (e.g., CCL, TIC).

   b. Sets a $2 per line PSL charge to allow for additional reduction in MOU access charges.

   c. Allows access reform to proceed while details of permanent high-cost funding process are worked out.

   d. No increase in residential phone bills.

2. "Chairman's Plan"

   a. Comes closer to a workable interim plan.

   b. Increasing additional residential line SLCs will be a problem.

c. PSLs and SLCs should be reduced in parallel.

3. Bell Atlantic/NYNEX/AT&T Plan

   a. Self-serving plan from East Coast mega-companies.

   b. Ignores national needs for universal service support.

   c. Excessive Access Charge reductions.

   d. Improperly overturns Price Cap incentives.